

All 21 New Dem Principles for Reg Reform Passed by House

Washington, D.C - Today, the U.S. House of Representatives passed historic legislation to reform the American financial system. *The Wall Street Reform and Consumer Protection Act* (H.R. 4173) passed by a vote of 237 to 192. With passage of this legislation, the entire "New Democrats' Plan for Creating a 21st Century Financial Regulatory Structure", which was released in February 2009, has been passed by the House. The New Democrats' Plan comprised 21 guiding principles to provide efficient and effective regulation of the U.S. financial system, stabilize the market, strengthen oversight and transparency, and institute robust new consumer and investor protections. Following the release of these principles, the New Dem Financial Services Task Force worked with the House Committees on Financial Services and Agriculture to produce strong, practical legislation and ensure final passage.

"Today, we voted to put in place tough new regulations and strong consumer protections that will ensure taxpayers no longer are forced to foot the bill for the risky deals made on Wall Street. The New Dems have been leaders from the start - working to create common-sense policy solutions that will protect American consumers' investments and keep U.S. businesses strong and viable in the global economy," said **Congressman Joseph Crowley (NY-7)**, Chair of the New Democrat Coalition. "We applaud Chairmen Frank and Peterson, House Leadership, the Administration and our colleagues in the Senate for their work to enact these much needed reforms of our financial system."

"Everyone, from homebuyers in our neighborhoods, to wizards on Wall Street to regulators in Washington, now recognize that the era of no regulation is over, that the status quo is unacceptable, and that the time to act is now to our American system and our people," said **Congresswoman Melissa Bean (IL-8)**, Co-Chair of the New Dem Financial Services Task Force.

"Wall Street Reform addresses the causes of the financial meltdown while putting in place strong protections to prevent another collapse," said **Congressman Jim Himes (CT-4)**, Co-Chair of the New Dem Financial Services Task Force. "I'm proud to have helped craft this legislation. It will protect consumers, increase transparency, control dangerous risk, and eliminate the possibility that the American taxpayer will ever again be asked to bailout irresponsible private companies."

"Today we put an end to bailouts for big banks, established tough consumer protections, and most importantly, put into place strict rules against risky financial practices and that hold Wall

Street accountable," said **Congressman Ron Kind (WI-3)**, New Dem Vice-Chair. "Never again will taxpayers be held hostage by large institutions that make bad decisions jeopardizing the entire United States economy."

"Working families in Pennsylvania have lost their homes, their jobs and their retirement savings as a result of the financial collapse," **Congresswoman Allyson Schwartz (PA-13)**, New Dem Vice Chair said. "This legislation helps move our country back on stable ground - protecting family's retirement funds, homes and college savings and securing business's financial futures. With this bill, we are empowering consumers and ensuring taxpayers are never again on the hook for Wall Street's mistakes."

"It is vitally important that we have a strong financial system which can spur economic growth, jobs and American ingenuity," said **Congressman Adam Smith (WA-9)**, New Dem Vice Chair. "It is also equally important that we ensure transparency and accountability within that system to prevent the abuses and irresponsible behavior that severely damaged our financial system. I am pleased to see that the legislation passed by the House today - which the New Dems played a key role in drafting - strikes that balance."

The New Democrats' Plan for Creating a 21st Century Financial Regulatory Structure

Released February 2009

Efficient and Effective Regulation

- Create a systemic risk regulator that can monitor systemically important institutions and their counterparties to mitigate the risk of systemic collapse. (H.R. 4173, Title I)
- Reduce redundant regulatory structures in exchange for robust regulatory oversight. (H.R. 4173, Titles III & X)
- Ensure oversight over new financial instruments that currently do not have regulatory oversight. (H.R. 4173, Title VII)
- Require regulators to use prudential supervision to proactively work with those they regulate to prevent violations and keep communication lines open to better monitor efficacy and unintended consequences. (H.R. 4173, Title VII)
- Increase coordination and communication between federal regulators through expansion of the President's Working Group on the Financial Markets to include all federal financial regulators. (H.R. 4173, Title I)
- Modernize the regulation and oversight of the insurance industry to ensure adequate information and a consolidated U.S. position in international trade discussions. (H.R. 4173, Title

V)

Market Stability and Transparency

- Reform how regulators evaluate capital requirements when using fair value accounting values (mark to market) on hold to maturity assets in a temporarily impaired market. (H.R. 4173, Title I)
- Prohibit excessive leverage on debt and derivative instruments by requiring necessary capital reserves to prevent against the potential risk of default. (H.R. 4173, Title I)
- Create a countercyclical mechanism to temper extreme market fluctuations. (H.R. 4173, Title VI)
- Support measures to prohibit manipulation that can lead to extreme fluctuations in securities prices that could destabilize fair and orderly markets. (H.R. 4173, Title VII)
- Support open exchanges and price disclosure to increase transparency in opaque markets like the credit default swaps market. (H.R. 4173, Title VII)
- Require lenders to hold a small percentage of loans in a first loss position to ensure originators retain some stake in the loans they underwrite. (H.R. 4173, Title IX)
- Conduct a thorough review of rating agencies' methodologies, models and compensation structures to ensure that ratings are accurate and not subject to conflict. (H.R. 4173, Title IX)
- Hold Treasury accountable to regularly collect data from all federal sources that receive financial data from recipients of TARP funds. (H.R. 1242)

Robust Consumer and Investor Protection

- Aggressively pursue a multi-tiered strategy that prevents unnecessary foreclosures for credit worthy borrowers while protecting taxpayers and preserving the moral hazard principle. (H.R. 4173, Title XIV)
- Work towards reintroduction of mortgage reform legislation and pass into law. (H.R. 4173, Title XIV)
- Ensure that credit is available and appropriate for consumers through strengthened oversight and regulation of predatory loans while protecting businesses' ability to price for risk. (H.R. 4173, Title X & XIV)
- Hold federal financial regulators accountable for enforcement of consumer and investor protections. (H.R. 4173, Title X & IX)
- Protect and continue to encourage simpler disclosure of status and terms and conditions of Americans' retirement and investment accounts. (H.R. 4173, Title X & IX)
- Reduce incentives for excessive risk taking and improve corporate governance by empowering shareholders. (H.R. 4173, Title IX)
- Increase fraud prevention efforts. (H.R. 4173, Title IX)

The New Democrat Coalition is a Coalition of 69 members of the U.S. House of Representatives who are dedicated to the prosperity and security of American families and business. Founded in 1997, the NDC provides Members of Congress with the opportunity to advance a common sense policy agenda focused on empowering the U.S. to grow economically and maintain a vibrant job market, preserving the U.S. standing as the world's leader in innovation and technological advancement, and strengthening our economic and national security. For more information, visit the New Dems website at <http://ndc.crowley.house.gov>.

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